



## MEMORANDUM

**TO:** Jan Dolan  
Craig Clifford  
David Roderique

**FROM:** Bill Davis

**SUBJECT:** Los Arcos Redevelopment Agreement

**DATE:** June 27, 2003

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### I. Introduction

The purpose of this Memorandum is to provide a review and analysis of the financial terms within the proposed Los Arcos Redevelopment Agreement between the City of Scottsdale, Arizona (the "City") and Los Arcos Development LLC ("LAD LLC").

### II. Summary

The Redevelopment Agreement obligates the City to distribute 69% of the 1% City general sales tax generated at Los Arcos Town Center to LAD LLC for a period of not to exceed forty (40) years. The sales tax distribution, or subsidy, is capped at \$36,750,000 plus interest. All sales tax revenue distributions are performance-based. In other words, if no sales tax is generated at the Los Arcos Town Center, the City is not obligated to make any distribution. The Agreement also contains built in mechanisms with specified events and timeframes that terminate the Agreement and future sales tax distributions.

In return for the subsidy, the City will receive title to the 2,800-slot parking garage located at Los Arcos Town Center, with an estimated value of \$23,260,000. The City will also receive the remaining 31% of the 1% general sales tax and 100% of the .4% transit and preservation sales tax generated at Los Arcos Town Center, and 100% of the City's share of the property tax and GPLET revenue from Los Arcos Town Center, respectively.

We have expressed strong concerns about previous proposals that had required the City to provide all or a portion of the subsidy up-front, thereby exposing the City to substantial financial risk. The current proposal, while setting a precedent for subsidizing redevelopment projects of this nature, has eliminated that financial risk to the City.

### III. Financial Review

If approved by Council, the Redevelopment Agreement will be treated as a contingent liability of the City and must be reflected on the City's balance sheet. The parking garage, as an asset, will also be reflected.

I have discussed the proposed Agreement with analysts at two of the rating agencies that rate the City's bonds and, because the Agreement is performance-based, with the sales tax subsidy paid from incremental retail sales, no negative impact on the City's bond ratings is expected.

There are numerous variables that will determine the financial impact of the Redevelopment Agreement. As stated in the "Financial Impact Analysis" prepared by Elliot D. Pollack and Company, "The effect of compounded annual retail sales increases for the anchor tenants is the key factor in determining the future impact of the project." I agree that this is the most significant variable driving the financial impact of the Project and any forward looking analysis.

Typically big box stores do not have a forty (40) year life. There will also be numerous economic cycles, through the life of the Agreement. The Agreement does allow for the project to be redeveloped in the future, which increases the likelihood of maintaining retail sales at Los Arcos for the next forty (40) years.

Due to the numerous uncertainties, I have attached three scenarios to help illustrate the potential impact of future sales levels under the Agreement. Scenario A utilizes the sales projections from the Pollack Analysis. Scenario B utilizes lower sales growth projections that level off after twenty (20) years. Scenario C assumes the growth levels of Scenario B through year 15, with declining sales in years 16-20, and Agreement termination after twenty (20) years.

The following table summarizes the results from the three scenarios:

	<i>Projected Gross Retail Sales (000's)</i>	<i>Projected Sales Tax Distribution To LAD LLC</i>	<i>Present Value of Projected Sales Tax Distribution To LAD LLC</i>	<i>Projected Tax Revenue To Scottsdale</i>	<i>Present Value of Projected Tax Revenue To Scottsdale</i>
<i>Scenario A</i>	\$22,833,960	\$157,554,330	\$36,667,089	\$223,100,781	\$57,877,787
<i>Scenario B</i>	\$12,226,885	\$84,365,510	\$26,926,616	\$147,790,547	\$47,854,982
<i>Scenario C</i>	\$5,153,467	\$35,558,921	\$19,600,662	\$65,801,710	\$35,855,685

As the three scenarios illustrate, future sales levels at Los Arcos Town Center will have a significant impact on the ultimate sales tax distributions to LAD LLC and the tax revenue received by the City. While it is not possible to accurately determine future results, these scenarios help illustrate the possible range of financial impact from the Los Arcos project.

# CITY OF SCOTTSDALE, ARIZONA

## LOS ARCOS TOWN CENTER

### Revenue Projections

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		<b>1.40% Sales Tax Collections</b>					<b>Developer Receipts</b>		<b>City Receipts</b>	
	<i>Los Arcos Town Center</i>		<i>City</i>	<i>City</i>	<i>Estimated Property Tax and GPLET</i>	<i>(Sum of 3 through 6)</i>	<i>(69.0% of 3)</i>	<i>PV of Developer Receipts</i>	<i>(7 - 8)</i>	<i>PV of City Receipts</i>
<i>Year</i>	<i>Total Projected Sales (1)</i>	<i>Total 1% Sales Tax</i>	<i>0.2% Preservation Tax Portion</i>	<i>0.2% Transit Tax Portion</i>	<i>Revenue (2)</i>	<i>Total Projected Tax Revenue</i>	<i>Projected Sales Tax Distribution to Developer</i>	<i>@ 7.18%</i>	<i>Projected Tax Revenue to City</i>	<i>@ 7.18%</i>
1	\$200,933,804	\$2,009,338	\$401,868	\$401,868	\$1,196,000	\$4,009,073	\$1,386,443	(3)	\$1,386,443	\$2,622,630
2	210,397,687	2,103,977	420,795	420,795	1,223,480	4,169,048	1,451,744		1,354,492	2,535,271
3	220,313,512	2,203,135	440,627	440,627	1,251,784	4,336,174	1,520,163		1,323,313	2,451,358
4	230,703,087	2,307,031	461,406	461,406	1,280,938	4,510,781	1,591,851		1,292,889	2,370,732
5	241,589,283	2,415,893	483,179	483,179	1,310,966	4,693,216	1,666,966		1,263,199	2,293,241
6	252,996,081	2,529,961	505,992	505,992	1,341,895	4,883,840	1,745,673		1,234,224	2,218,745
7	264,948,631	2,649,486	529,897	529,897	1,373,752	5,083,033	1,828,146		1,205,947	2,147,106
8	277,473,307	2,774,733	554,947	554,947	1,406,564	5,291,191	1,914,566		1,178,349	2,078,196
9	290,597,766	2,905,978	581,196	581,196	1,440,361	5,508,730	2,005,125		1,151,414	2,011,894
10	304,351,013	3,043,510	608,702	608,702	1,475,172	5,736,086	2,100,022		1,125,123	1,948,085
11	318,763,466	3,187,635	637,527	637,527	1,455,027	5,917,716	2,199,468		1,099,462	1,858,664
12	333,867,026	3,338,670	667,734	667,734	1,491,958	6,166,097	2,303,682		1,074,413	1,801,389
13	349,695,147	3,496,951	699,390	699,390	1,529,997	6,425,729	2,412,897		1,049,962	1,746,168
14	366,282,918	3,662,829	732,566	732,566	1,569,177	6,697,138	2,527,352		1,026,094	1,692,914
15	383,667,134	3,836,671	767,334	767,334	1,609,532	6,980,872	2,647,303		1,002,793	1,641,546
16	401,886,389	4,018,864	803,773	803,773	1,651,098	7,277,508	2,773,016		980,045	1,591,987
17	420,981,158	4,209,812	841,962	841,962	1,651,098	7,544,834	2,904,770		957,837	1,530,044
18	440,993,894	4,409,939	881,988	881,988	1,651,098	7,825,013	3,042,858		936,155	1,471,261
19	461,969,119	4,619,691	923,938	923,938	1,651,098	8,118,666	3,187,587		914,986	1,415,450
20	483,953,532	4,839,535	967,907	967,907	1,651,098	8,426,448	3,339,279		894,317	1,362,432
21	506,996,110	5,069,961	1,013,992	1,013,992	1,606,298	8,704,292	3,498,273		874,135	1,300,848
22	531,148,226	5,311,482	1,062,296	1,062,296	1,606,298	9,042,373	3,664,923		854,429	1,253,683
23	556,463,760	5,564,638	1,112,928	1,112,928	1,606,298	9,396,791	3,839,600		835,186	1,208,795
24	582,999,228	5,829,992	1,165,998	1,165,998	1,606,298	9,768,287	4,022,695		816,396	1,166,054
25	610,813,908	6,108,139	1,221,628	1,221,628	1,606,298	10,157,693	4,214,616		798,046	1,125,334
26	639,969,977	6,399,700	1,279,940	1,279,940	1,606,298	10,565,878	4,415,793		780,126	1,086,519
27	670,532,651	6,705,327	1,341,065	1,341,065	1,606,298	10,993,755	4,626,675		762,626	1,049,501
28	702,570,339	7,025,703	1,405,141	1,405,141	1,606,298	11,442,283	4,847,735		745,534	1,014,177
29	736,154,797	7,361,548	1,472,310	1,472,310	1,606,298	11,912,465	5,079,468		728,842	980,452
30	771,361,290	7,713,613	1,542,723	1,542,723	1,606,298	12,405,356	5,322,393		712,538	948,235
31	808,268,772	8,082,688	1,616,538	1,616,538	1,570,458	12,886,221	5,577,055		696,614	912,967
32	846,960,059	8,469,601	1,693,920	1,693,920	1,570,458	13,427,899	5,844,024		681,060	883,822
33	887,522,024	8,875,220	1,775,044	1,775,044	1,570,458	13,995,766	6,123,902		665,868	855,929
34	930,045,797	9,300,458	1,860,092	1,860,092	1,570,458	14,591,099	6,417,316		651,028	829,219
35	974,626,969	9,746,270	1,949,254	1,949,254	1,570,458	15,215,236	6,724,926		636,532	803,630
36	1,021,365,820	10,213,658	2,042,732	2,042,732	1,570,458	15,869,580	7,047,424		622,371	779,100
37	1,070,367,540	10,703,675	2,140,735	2,140,735	1,570,458	16,555,604	7,385,536		608,537	755,575
38	1,121,742,481	11,217,425	2,243,485	2,243,485	1,570,458	17,274,853	7,740,023		595,023	733,000
39	1,175,606,401	11,756,064	2,351,213	2,351,213	1,570,458	18,028,948	8,111,684		581,820	711,327
40	1,232,080,739	12,320,807	2,464,161	2,464,161	1,570,458	18,819,588	8,501,357		568,921	690,508
	<b>\$22,833,960,842</b>	<b>\$228,339,608</b>	<b>\$45,667,922</b>	<b>\$45,667,922</b>	<b>\$60,979,659</b>	<b>\$380,655,111</b>	<b>\$157,554,330</b>		<b>\$36,667,089</b>	<b>\$223,100,781</b>
										<b>\$57,877,787</b>

(1) Source: Elliott D. Pollack and Company Fiscal Impact Analysis, June 2003.

(2) Source City of Scottsdale.

(3) Includes sales tax revenues accrued during construction in the amount of \$93,383.

**CITY OF SCOTTSDALE, ARIZONA**  
**LOS ARCOS TOWN CENTER**  
*Projected Amortization of Agreement Balance*

(1)	(2)	(3)	(4)	(5)	(6)
Year	Agreement Balance	Plus: Interest @ 7.18%	Less: Projected Sales Tax Distribution to Developer (1)	Agreement Balance Redemption	Agreement Ending Balance
0					
1	\$36,750,000	\$2,638,650	\$1,479,826		\$37,908,824
2	37,908,824	2,721,854	1,451,744		39,178,933
3	39,178,933	2,813,047	1,520,163		40,471,817
4	40,471,817	2,905,876	1,591,851		41,785,843
5	41,785,843	3,000,224	1,666,966		43,119,100
6	43,119,100	3,095,951	1,745,673		44,469,378
7	44,469,378	3,192,901	1,828,146		45,834,134
8	45,834,134	3,290,891	1,914,566		47,210,459
9	47,210,459	3,389,711	2,005,125		48,595,046
10	48,595,046	3,489,124	2,100,022		49,984,148
11	49,984,148	3,588,862	2,199,468		51,373,542
12	51,373,542	3,688,620	2,303,682		52,758,480
13	52,758,480	3,788,059	2,412,897		54,133,642
14	54,133,642	3,886,796	2,527,352		55,493,085
15	55,493,085	3,984,404	2,647,303		56,830,186
16	56,830,186	4,080,407	2,773,016		58,137,577
17	58,137,577	4,174,278	2,904,770		59,407,085
18	59,407,085	4,265,429	3,042,858		60,629,656
19	60,629,656	4,353,209	3,187,587		61,795,278
20	61,795,278	4,436,901	3,339,279		62,892,900
21	62,892,900	4,515,710	3,498,273		63,910,337
22	63,910,337	4,588,762	3,664,923		64,834,176
23	64,834,176	4,655,094	3,839,600		65,649,670
24	65,649,670	4,713,646	4,022,695		66,340,622
25	66,340,622	4,763,257	4,214,616		66,889,263
26	66,889,263	4,802,649	4,415,793		67,276,119
27	67,276,119	4,830,425	4,626,675		67,479,869
28	67,479,869	4,845,055	4,847,735	\$2,681	67,477,188
29	67,477,188	4,844,862	5,079,468	234,606	67,242,582
30	67,242,582	4,828,017	5,322,393	494,375	66,748,207
31	66,748,207	4,792,521	5,577,055	784,533	65,963,673
32	65,963,673	4,736,192	5,844,024	1,107,833	64,855,841
33	64,855,841	4,656,649	6,123,902	1,467,253	63,388,588
34	63,388,588	4,551,301	6,417,316	1,866,015	61,522,573
35	61,522,573	4,417,321	6,724,926	2,307,605	59,214,967
36	59,214,967	4,251,635	7,047,424	2,795,789	56,419,178
37	56,419,178	4,050,897	7,385,536	3,334,639	53,084,539
38	53,084,539	3,811,470	7,740,023	3,928,553	49,155,986
39	49,155,986	3,529,400	8,111,684	4,582,284	44,573,701
40	44,573,701	3,200,392	8,501,357	5,300,965	39,272,736
		<u>\$160,170,449</u>	<u>\$157,647,713</u>	<u>\$28,207,133</u>	

(1) From Page 1, Column 8.

# CITY OF SCOTTSDALE, ARIZONA

## LOS ARCOS TOWN CENTER

### Revenue Projections

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		<b>1.40% Sales Tax Collections</b>					<b>Developer Receipts</b>		<b>City Receipts</b>	
	<i>Los Arcos Town Center</i>		<i>City</i>	<i>City</i>	<i>Estimated</i>	<i>(Sum of 3 through 6)</i>	<i>(69.0% of 3)</i>	<i>PV of</i>	<i>(7 - 8)</i>	<i>PV of</i>
<i>Year</i>	<i>Total Projected Sales (1) (2)</i>	<i>Total 1% Sales Tax</i>	<i>0.2% Preservation Tax Portion</i>	<i>0.2% Transit Tax Portion</i>	<i>Property Tax and GPLET Revenue (2)</i>	<i>Total Projected Tax Revenue</i>	<i>Projected Sales Tax Distribution to Developer</i>	<i>Developer Receipts @ 7.18%</i>	<i>Projected Tax Revenue to City</i>	<i>PV of City Receipts @ 7.18%</i>
1	\$210,080,000	\$2,100,800	\$420,160	\$420,160	\$1,196,000	\$4,137,120	\$1,449,552 (3)	\$1,449,552	\$2,687,568	\$2,687,568
2	218,483,214	2,184,832	436,966	436,966	1,223,480	4,282,245	1,507,534	1,406,544	2,774,711	2,588,833
3	227,222,500	2,272,225	454,445	454,445	1,251,784	4,432,899	1,567,835	1,364,812	2,865,064	2,494,060
4	236,311,429	2,363,114	472,623	472,623	1,280,938	4,589,298	1,630,549	1,324,319	2,958,749	2,403,073
5	245,763,857	2,457,639	491,528	491,528	1,310,966	4,751,660	1,695,771	1,285,027	3,055,889	2,315,702
6	253,136,786	2,531,368	506,274	506,274	1,341,895	4,885,810	1,746,644	1,234,911	3,139,166	2,219,451
7	260,730,929	2,607,309	521,462	521,462	1,373,752	5,023,985	1,799,043	1,186,750	3,224,941	2,127,352
8	268,552,857	2,685,529	537,106	537,106	1,406,564	5,166,304	1,853,015	1,140,467	3,313,290	2,039,216
9	276,609,429	2,766,094	553,219	553,219	1,440,361	5,312,893	1,908,605	1,095,989	3,404,288	1,954,863
10	284,907,714	2,849,077	569,815	569,815	1,475,172	5,463,880	1,965,863	1,053,245	3,498,017	1,874,123
11	290,605,857	2,906,059	581,212	581,212	1,455,027	5,523,509	2,005,180	1,002,342	3,518,329	1,758,729
12	296,418,000	2,964,180	592,836	592,836	1,491,958	5,641,810	2,045,284	953,899	3,596,526	1,677,382
13	302,346,357	3,023,464	604,693	604,693	1,529,997	5,762,846	2,086,190	907,797	3,676,656	1,599,882
14	308,393,286	3,083,933	616,787	616,787	1,569,177	5,886,683	2,127,914	863,923	3,758,769	1,526,043
15	314,561,143	3,145,611	629,122	629,122	1,609,532	6,013,388	2,170,472	822,170	3,842,916	1,455,688
16	317,706,714	3,177,067	635,413	635,413	1,651,098	6,098,992	2,192,176	774,764	3,906,816	1,380,755
17	320,883,786	3,208,838	641,768	641,768	1,651,098	6,143,471	2,214,098	730,091	3,929,373	1,295,696
18	324,092,643	3,240,926	648,185	648,185	1,651,098	6,188,395	2,236,239	687,994	3,952,156	1,215,907
19	327,333,571	3,273,336	654,667	654,667	1,651,098	6,233,768	2,258,602	648,324	3,975,167	1,141,058
20	330,606,929	3,306,069	661,214	661,214	1,651,098	6,279,595	2,281,188	610,942	3,998,407	1,070,843
21	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	570,015	3,953,607	987,913
22	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	531,829	3,953,607	921,732
23	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	496,202	3,953,607	859,985
24	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	462,961	3,953,607	802,375
25	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	431,948	3,953,607	748,624
26	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	403,011	3,953,607	698,473
27	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	376,014	3,953,607	651,682
28	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	350,824	3,953,607	608,026
29	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	327,323	3,953,607	567,294
30	330,606,929	3,306,069	661,214	661,214	1,606,298	6,234,795	2,281,188	305,395	3,953,607	529,291
31	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	284,937	3,917,767	489,357
32	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	265,849	3,917,767	456,575
33	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	248,040	3,917,767	425,989
34	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	231,423	3,917,767	397,452
35	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	215,920	3,917,767	370,827
36	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	201,456	3,917,767	345,985
37	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	187,960	3,917,767	322,807
38	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	175,369	3,917,767	301,183
39	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	163,621	3,917,767	281,006
40	330,606,929	3,306,069	661,214	661,214	1,570,458	6,198,955	2,281,188	152,660	3,917,767	262,182
	<b>\$12,226,885,571</b>	<b>\$122,268,856</b>	<b>\$24,453,771</b>	<b>\$24,453,771</b>	<b>\$60,979,659</b>	<b>\$232,156,057</b>	<b>\$84,365,510</b>	<b>\$26,926,616</b>	<b>\$147,790,547</b>	<b>\$47,854,982</b>

(1) Assumed growth rates for all stores are as follows: 4% for years 1-5, 3% for years 6-10, 2% for years 11-15, 1% for years 16-20 and none thereafter.

(2) Source: City of Scottsdale.

(3) Includes sales tax revenues accrued during construction in the amount of \$93,383.

**CITY OF SCOTTSDALE, ARIZONA**  
**LOS ARCOS TOWN CENTER**  
*Projected Amortization of Agreement Balance*

(1)	(2)	(3)	(4)	(5)	(6)
Year	Agreement Balance	Plus: Interest @ 7.18%	Less: Projected Sales Tax Distribution to Developer (1)	Agreement Balance Redemption	Agreement Ending Balance
0					
1	\$36,750,000	\$2,638,650	\$1,542,935		\$37,845,715
2	37,845,715	2,717,322	1,507,534		39,055,503
3	39,055,503	2,804,185	1,567,835		40,291,853
4	40,291,853	2,892,955	1,630,549		41,554,259
5	41,554,259	2,983,596	1,695,771		42,842,084
6	42,842,084	3,076,062	1,746,644		44,171,502
7	44,171,502	3,171,514	1,799,043		45,543,973
8	45,543,973	3,270,057	1,853,015		46,961,015
9	46,961,015	3,371,801	1,908,605		48,424,211
10	48,424,211	3,476,858	1,965,863		49,935,206
11	49,935,206	3,585,348	2,005,180		51,515,374
12	51,515,374	3,698,804	2,045,284		53,168,893
13	53,168,893	3,817,527	2,086,190		54,900,230
14	54,900,230	3,941,837	2,127,914		56,714,153
15	56,714,153	4,072,076	2,170,472		58,615,757
16	58,615,757	4,208,611	2,192,176		60,632,192
17	60,632,192	4,353,391	2,214,098		62,771,485
18	62,771,485	4,506,993	2,236,239		65,042,239
19	65,042,239	4,670,033	2,258,602		67,453,670
20	67,453,670	4,843,173	2,281,188		70,015,655
21	70,015,655	5,027,124	2,281,188		72,761,592
22	72,761,592	5,224,282	2,281,188		75,704,686
23	75,704,686	5,435,596	2,281,188		78,859,095
24	78,859,095	5,662,083	2,281,188		82,239,990
25	82,239,990	5,904,831	2,281,188		85,863,634
26	85,863,634	6,165,009	2,281,188		89,747,455
27	89,747,455	6,443,867	2,281,188		93,910,134
28	93,910,134	6,742,748	2,281,188		98,371,694
29	98,371,694	7,063,088	2,281,188		103,153,594
30	103,153,594	7,406,428	2,281,188		108,278,834
31	108,278,834	7,774,420	2,281,188		113,772,066
32	113,772,066	8,168,834	2,281,188		119,659,713
33	119,659,713	8,591,567	2,281,188		125,970,093
34	125,970,093	9,044,653	2,281,188		132,733,557
35	132,733,557	9,530,269	2,281,188		139,982,639
36	139,982,639	10,050,753	2,281,188		147,752,205
37	147,752,205	10,608,608	2,281,188		156,079,625
38	156,079,625	11,206,517	2,281,188		165,004,955
39	165,004,955	11,847,356	2,281,188		174,571,122
40	174,571,122	12,534,207	2,281,188		184,824,141
		<u>\$232,533,035</u>	<u>\$84,458,893</u>	<u>\$0</u>	

(1) From Page 1, Column 8.

# CITY OF SCOTTSDALE, ARIZONA

## LOS ARCOS TOWN CENTER

### Revenue Projections

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Los Arcos Town Center Total Projected Sales (1) (2)	<b>1.40% Sales Tax Collections</b>			Estimated Property Tax and GPLET Revenue (2)	(Sum of 3 through 6)	<b>Developer Receipts</b>		<b>City Receipts</b>	
Year		Total 1% Sales Tax	City 0.2% Preservation Tax Portion	City 0.2% Transit Tax Portion		Total Projected Tax Revenue	(69.0% of 3) Projected Sales Tax Distribution to Developer	PV of Developer Receipts @ 7.18%	(7 - 8) Projected Tax Revenue to City	PV of City Receipts @ 7.18%
1	\$210,080,000	\$2,100,800	\$420,160	\$420,160	\$1,196,000	\$4,137,120	\$1,449,552 (3)	\$1,449,552	\$2,687,568	\$2,687,568
2	218,483,214	2,184,832	436,966	436,966	1,223,480	4,282,245	1,507,534	1,406,544	2,774,711	2,588,833
3	227,222,500	2,272,225	454,445	454,445	1,251,784	4,432,899	1,567,835	1,364,812	2,865,064	2,494,060
4	236,311,429	2,363,114	472,623	472,623	1,280,938	4,589,298	1,630,549	1,324,319	2,958,749	2,403,073
5	245,763,857	2,457,639	491,528	491,528	1,310,966	4,751,660	1,695,771	1,285,027	3,055,889	2,315,702
6	253,136,786	2,531,368	506,274	506,274	1,341,895	4,885,810	1,746,644	1,234,911	3,139,166	2,219,451
7	260,730,929	2,607,309	521,462	521,462	1,373,752	5,023,985	1,799,043	1,186,750	3,224,941	2,127,352
8	268,552,857	2,685,529	537,106	537,106	1,406,564	5,166,304	1,853,015	1,140,467	3,313,290	2,039,216
9	276,609,429	2,766,094	553,219	553,219	1,440,361	5,312,893	1,908,605	1,095,989	3,404,288	1,954,863
10	284,907,714	2,849,077	569,815	569,815	1,475,172	5,463,880	1,965,863	1,053,245	3,498,017	1,874,123
11	290,605,857	2,906,059	581,212	581,212	1,455,027	5,523,509	2,005,180	1,002,342	3,518,329	1,758,729
12	296,418,000	2,964,180	592,836	592,836	1,491,958	5,641,810	2,045,284	953,899	3,596,526	1,677,382
13	302,346,357	3,023,464	604,693	604,693	1,529,997	5,762,846	2,086,190	907,797	3,676,656	1,599,882
14	308,393,286	3,083,933	616,787	616,787	1,569,177	5,886,683	2,127,914	863,923	3,758,769	1,526,043
15	314,561,143	3,145,611	629,122	629,122	1,609,532	6,013,388	2,170,472	822,170	3,842,916	1,455,688
16	283,105,029	2,831,050	566,210	566,210	1,651,098	5,614,569	1,953,425	690,383	3,661,144	1,293,929
17	254,794,526	2,547,945	509,589	509,589	1,651,098	5,218,222	1,758,082	579,721	3,460,139	1,140,968
18	229,315,073	2,293,151	458,630	458,630	1,651,098	4,861,509	1,582,274	486,797	3,279,235	1,008,878
19	206,383,566	2,063,836	412,767	412,767	1,651,098	4,540,468	1,424,047	408,768	3,116,421	894,558
20	185,745,209	1,857,452	371,490	371,490	1,651,098	4,251,531	1,281,642	343,246	2,969,889	795,388
	<b>\$5,153,466,760</b>	<b>\$51,534,668</b>	<b>\$10,306,934</b>	<b>\$10,306,934</b>	<b>\$29,212,096</b>	<b>\$101,360,631</b>	<b>\$35,558,921</b>	<b>\$19,600,662</b>	<b>\$65,801,710</b>	<b>\$35,855,685</b>

(1) Assumed growth rates for all stores are as follows: 4% for years 1-5, 3% for years 6-10, 2% for years 11-15 and a 10% decline in sales for years 16-20.

(2) Source: City of Scottsdale.

(3) Includes sales tax revenues accrued during construction in the amount of \$93,383.

**CITY OF SCOTTSDALE, ARIZONA**  
**LOS ARCOS TOWN CENTER**  
*Projected Amortization of Agreement Balance*

(1)	(2)	(3)	(4)	(5)	(6)
			Less:		
		Plus:	Projected Sales	Agreement	Agreement
	Agreement	Interest	Tax Distribution	Balance	Ending
Year	Balance	@ 7.18%	to Developer (1)	Redemption	Balance
0					
1	\$36,750,000	\$2,638,650	\$1,542,935		\$37,845,715
2	37,845,715	2,717,322	1,507,534		39,055,503
3	39,055,503	2,804,185	1,567,835		40,291,853
4	40,291,853	2,892,955	1,630,549		41,554,259
5	41,554,259	2,983,596	1,695,771		42,842,084
6	42,842,084	3,076,062	1,746,644		44,171,502
7	44,171,502	3,171,514	1,799,043		45,543,973
8	45,543,973	3,270,057	1,853,015		46,961,015
9	46,961,015	3,371,801	1,908,605		48,424,211
10	48,424,211	3,476,858	1,965,863		49,935,206
11	49,935,206	3,585,348	2,005,180		51,515,374
12	51,515,374	3,698,804	2,045,284		53,168,893
13	53,168,893	3,817,527	2,086,190		54,900,230
14	54,900,230	3,941,837	2,127,914		56,714,153
15	56,714,153	4,072,076	2,170,472		58,615,757
16	58,615,757	4,208,611	1,953,425		60,870,944
17	60,870,944	4,370,534	1,758,082		63,483,395
18	63,483,395	4,558,108	1,582,274		66,459,229
19	66,459,229	4,771,773	1,424,047		69,806,955
20	69,806,955	5,012,139	1,281,642		73,537,452
		<u>\$72,439,756</u>	<u>\$35,652,304</u>	<u>\$0</u>	

(1) From Page 1, Column 8.